

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET TEST OF EXPERIMENTAL PRODUCT -
ALTERNATE POSTAGE PAYMENT METHOD FOR
GREETING CARDS

Docket No. MT2011-1

**MOTION OF THE UNITED STATES POSTAL SERVICE
FOR TEMPORARY EXTENSION OF
ALTERNATE POSTAGE FOR GREETING CARDS MARKET TEST**
(November 21, 2012)

Pursuant to 39 USC § 3641(d)(2), the United States Postal Service hereby moves for a temporary extension of the Alternate Postage for Greeting Cards (Alternate Postage) market test. The market test began on January 2, 2011, and is set to expire on January 2, 2013.¹ The Alternate Postage market test has been successful and the Postal Service intends to request that the experimental product be made permanent. However, as discussed in more detail below, the Postal Service will not be able to submit its request with the Commission prior to the January 2, 2013 market test expiration date. The Postal Service currently anticipates being able to submit its request sometime in early 2013.

As discussed in the Postal Service's Notice of Market Test of Experimental Product (Notice),² the Alternate Postage offering involves a new postage payment

¹ Due to unforeseen complications associated with Hurricane Sandy and the Postal Service's internal approval processes, the Postal Service did not submit this motion 60 days before the expiration of the current test as required by 39 USC section 3641(d)(2). Accordingly the Postal Service also seeks a waiver of the 60 day requirement contained in Section 3641(d)(2). As discussed in more detail below, the Postal Service believes that the waiver and extension would be appropriate under the present circumstances and would be consistent with the intent of the statute.

² Docket No. MT2011-1, Notice of the United States Postal Service of Market Test of Experimental Product – Alternate Postage Payment Method for Greeting Cards (November 8, 2010).

method that allows individuals to mail greeting cards without affixing First-Class Mail postage.³ Instead, companies producing the greeting cards pay the postage through a two-stage process. First, 50 percent of the postage is prepaid based on the number of cards the company reports selling to customers.⁴ This payment is retained by the Postal Service even if an individual purchases the card but does not mail it.⁵ The remainder of the postage is collected once the cards are identified in the mailstream using automated scans.⁶ Between January 2011 and October 2012 the market test generated over \$6 million in total revenue and has created the promise of continued growth and opportunity in the future. These financial results, in combination with significant interest from more greeting card companies, have led the Postal Service to conclude that the Alternate Postage offering should be made a permanent Market-Dominant product.

Though the Postal Service intends to submit a request to make the Alternate Postage payment method a permanent product, several factors have forced the Postal Service to delay such a filing until early 2013. These reasons include: 1) Waiting for the primary market test participant to complete an internal review of its involvement in the program; and 2) The need for additional time to complete research into whether Alternate Postage should be expanded to include postcards. Because the Postal Service is not yet ready to request that Alternative Postage be made a permanent product (but fully intends to make that request early next year), it is appropriate for the Commission to extend the Market Test to provide confidence during the critical holiday

³ *Id.* at 1.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

mailing seasons that there will not be a lapse between the expiration of the market test and the approval of a permanent Alternate Postage product.⁷

First, though the primary participant has already provided the Postal Service with a great deal of feedback, the company has not yet completed an internal review of its participation in the Alternate Postage market test. The Postal Service believes that the results of this review may prove useful by potentially influencing the design of the permanent Alternate Postage product and informing the participant's future marketing and retail decisions.

Second, based on interest from a large number of mailers, the Postal Service has been exploring the viability of expanding the Alternate Postage payment method to postcards. While the Postal Service has already gathered some information concerning such an expansion, it has not yet completed its research in this area. Given the significant impact that such information could have on the ultimate design of the permanent Alternate Postage product, the Postal Service believes that it is appropriate to delay its request until this research is complete.

Further, an extension of the experimental product would ensure programmatic continuity between the scheduled expiration of the market test and the approval of a permanent Alternate Postage product. Ending the market test before the permanent product begins would harm participation in the market test, as the primary participant may decide to remove all Alternate Postage cards from sale during the critical holiday mailing seasons. Moreover, any doubt about the continuity of the Alternate Postage

⁷ Given that the Postal Service's request to add Alternate Postage to the market-dominant product list would be filed under 39 U.S.C. § 3642, with an indefinite time frame for Commission review, the Postal Service cannot be confident that (even if it filed a request to make the test permanent tomorrow) a lapse between the market test and permanent product would not be created.

offering after January 2, 2012 could have a chilling effect on negotiations with other companies interested in the Alternate Postage payment method.

39 U.S.C. § 3641(d)(2) contemplates the need for a market test to be extended beyond the 24-month period normally authorized under 39 U.S.C. § 3641(d)(1). In particular, section 3641(d)(2) states that a market test may be extended for an additional 12 months “If necessary in order to determine the feasibility or desirability of a product being tested under this section.” Here, the Postal Service has outlined several reasons for extending the Alternate Postage market test, all of which assist the Postal Service in designing the most feasible (and therefore successful) permanent Alternate Postage product. Accordingly, the Postal Service respectfully submits that a temporary extension of the Alternate Postage market test, until such time as the Commission acts upon the forthcoming request of the Postal Service to permanently add this product to the market-dominant product list, would not only be appropriate under these circumstances, but would also be consistent with the intent of the statute.⁸ The Postal Service does not believe that such an extension would prejudice any party.

⁸ The Commission granted a similar extension for the Collaborative Logistics market test in Docket No. MT2009-1. See Order No. 742: Granting in Part Temporary Extension of Collaborative Logistics Market Test (June 3, 2011).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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